

Answer **all** questions.

- 1 Harris owns a trading business. The following shows transactions between the business and Caddy Co. for the month of August 2022.

2022

- Aug 5 Purchased fixtures from Caddy Co. at list price \$9 400 with 10% trade discount
- 6 Caddy Co. charged Harris \$250 net for additional packaging
- 7 Returned fixtures with list price \$800 bought on 5 August, as they were unsuitable for the business use
- 19 Paid Caddy Co. a cheque \$7 900 in full settlement for amount owing

REQUIRED

- (a) State the source document used for transactions on the following dates: [3]

	Source document
(i) 6 August 2022	
(ii) 7 August 2022	
(iii) 19 August 2022	

- (b) State and explain the accounting theory applied when source document is use for recording.

----- [2]

- (c) State **one** difference between cash and trade discounts.

----- [1]

- (d) Prepare the journal entries to record the transaction on 19 August 2022.
Narrations are not required.

----- [3]

[Total: 9]

- 2 Auni Trading provided the following information for year ended 31 December 2021 and 2022:

	31 December 2021 \$	31 December 2022 \$
Trade receivables	36 400	28 300
Allowance for impairment of trade receivables	1 820	?

Kirby, a credit customer's cheque of \$2 100 deposited into the business bank account was returned by the bank on 4 November 2021.

On 2 February 2022, Kirby was declared bankrupt and the amount owing was written off.

Auni Trading estimate 5% of trade receivables to be uncollectible at the end of each financial year.

REQUIRED

- (a) Prepare the journal entries for the transactions on the following dates.
Narrations are not required.
- (i) 4 November 2021
 - (ii) 2 February 2022

		[4]

- (b) Calculate the adjustment for allowance for impairment of trade receivables for year ended 31 December 2022. Indicate if allowance for impairment of trade receivables needed to be **increased** or **decreased** and **amount** in your answer.

		[2]

- (c) Prepare an extract of the statement of financial performance for year ended 31 December 2022, showing the relevant section.

		[1]

[Total: 7]

- 3 Arjun started a furniture business and presented a profit of \$16 500 for his first year of operation.

He revealed the following double entries in his books which he was unsure about:

	Account debited	Account credited
(i) Purchase of furniture \$1200 for office use on credit	Inventory	Trade payable
(ii) Arjun took furniture \$2 300 from business's inventory for office use	Furniture	Inventory
(iii) Cost of \$590 to install equipment paid by cheque	Repairs	Cash at bank

REQUIRED

- (a) Explain the difference between furniture and inventory accounts in Arjun's books.

		[2]

- (b) Identify **one** correct double entry from above. Indicate (i), (ii) or (iii).

Transaction	[1]
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- (c) State the double entries to correct the other **two** transactions from above that were wrongly recorded.

		[4]

- (d) Calculate the adjusted profit or loss after the corrections of errors has been made. Show your working clearly.

		[1]
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[Total: 8]

- 4** Kwek Ltd provided the following information about its business for the two years ended 31 September 2021 and 2022.

	31 Sep 2021	31 Sep 2022
	\$	\$
Net sales revenue	583 700	691 600
Gross profit	145 925	200 564
Total operating expenses	75 880	138 320
Shareholders' equity	500 000	546 000

REQUIRED

- (a) Calculate the following for the year ended 31 September 2022:

- (i) gross profit margin
- (ii) profit margin
- (iii) return on equity

Show your answer to **two** decimal places.

[illegible]

The information for year ended 31 September 2021 are as follows:

Gross profit margin	25%
Profit margin	12%
Return on equity	16%

(b) Explain how the return on equity helps potential shareholders' decision making.

	Marking:	
		[2]

(c) Comment on the profitability of Kwek Ltd over the **two** years ended 31 September 2021 and 2022.

[illegible]

In January 2023, Kwek Ltd sold one of its machine costing \$25 000 for \$15 000, proceeds was received by cheque. The machine was depreciated for 2 years at 25% using straight-line method.

REQUIRED

(d) Calculate the gain or loss on sale of non-current assets from the sale of the machine.

		[1]

(e) State the effect of the sale of non-current assets on the profitability and liquidity of Kwek Ltd.

		[2]

[Total: 16]

End of Paper